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Competitiveness of Natural Gas from a Public Policy Perspective

Georgia Tech Clean Energy Speaker Series

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- Can Washington and State capitals help natural gas compete in the energy market?
 - Key players
 - Federal policy efforts
 - State policy efforts
- Competing for policymakers' time and attention
 - Other national priorities; other energy issues
 - State officials more open to natural gas developments?
- Benefits of natural gas should attract plenty of attention from Washington and state capitals
 - Job creation
 - Provides significant source of revenue – in most states
 - Numerous advantages over other fuel sources

Can Washington Help Natural Gas Compete?

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Key Players in Washington's—and States'—Natural Gas Scene

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- Executive Branch
 - White House
 - EPA
 - DOE
 - US Geological Survey
 - US Forest Service
- Congress
- Industry and Activists
 - Trade Associations
 - Environmentalists
 - End users of gas and NGLs

- President Obama's view of domestic natural gas development

“Clean energy breakthroughs will only translate into clean energy jobs if businesses know there will be a market for what they’re selling. ... Some folks want wind and solar. Others want nuclear, clean coal, and **natural gas**. To meet this goal, we will need them all – and I urge Democrats and Republicans to work together to make it happen.”

- *State of the Union, January 25, 2011*

“Now, in terms of new sources of energy, we have a few different options. The first is natural gas. Recent innovations have given us the opportunity to tap large reserves — perhaps a century’s worth of reserves, a hundred years worth of reserves – in the shale under our feet. But ... we’ve got to make sure that we’re extracting natural gas safely, without polluting our water supply. ... **[T]he potential for natural gas is enormous**. And this is an area where there’s actually been some broad bipartisan agreement. Last year, more than 150 members of Congress from both sides of the aisle produced legislation providing incentives to use clean-burning natural gas in our vehicles instead of oil. ... Getting 150 members of Congress to agree on anything is a big deal.”

- *Georgetown University, March 30, 2011*

- **Legislative Efforts**
 - NAT GAS Act (HR 1380)
 - FRAC Act (S 587)
 - House Energy and Commerce Committee investigation into use of diesel in hydraulic fracturing fluids
- **Federal actions related to natural gas**
 - FERC approval of new infrastructure
 - DOE authorization of LNG exports
 - U.S. Geologic Service survey of shale formations
 - DOE study of hydraulic fracturing policies
 - EPA study of potential environmental and public health impacts of hydraulic fracturing on drinking water

- Fracking Fluid Disclosure
 - Numerous states have required disclosure of the component additives of fracking fluids
 - Wyoming
 - First extensive mandatory disclosure rules went into effect September 15, 2010
 - Arkansas
 - New rules effective January 15, 2011
 - Pennsylvania
 - New rules effective February 5, 2011
 - Colorado
 - New York
 - New Mexico
- Voluntary industry disclosure efforts: www.FrackFocus.org

- Numerous other state efforts
 - Fluids disposal requirements
 - Reporting requirements
 - Legislative proposals
 - Taxes
- Delaware River Basin Commission
 - Federal and multi-state compact regulating the Delaware River watershed, the main source of drinking water for New York City
 - New York has sued US ACOE over its failure to develop rules for natural gas development in the Delaware River watershed

Competing for Policymakers' Limited Time and Attention

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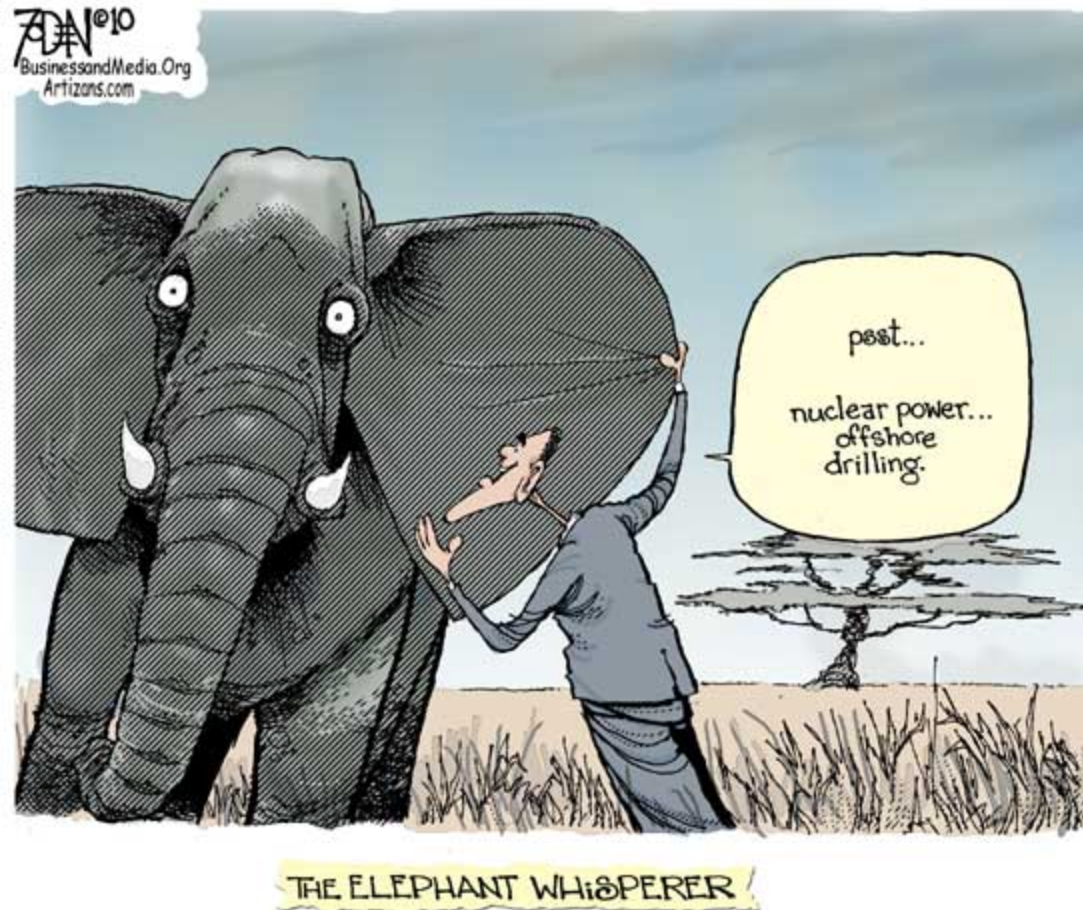
Many National Priorities

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- Budget deficits at federal, state and local levels
 - Government entities around the country are facing revenue shortfalls
- Stagnant employment numbers
- Government shut-down
- But ... the key issue in Washington are the 2012 presidential and congressional elections

How to Make Policymakers Listen

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Natural Gas Advantages: Job Creation

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- Natural gas jobs can be used to replace lost manufacturing jobs
 - Not limited to one small pocket of the country
 - Also encourages manufacturing job growth with stable energy prices
- Pennsylvania: 72,000 new hires in natural gas and related industries in the last 18 months
- Ohio study predicts some 600,000 jobs will be created by development of the Utica shale gas play

Natural Gas Advantages: New Revenues

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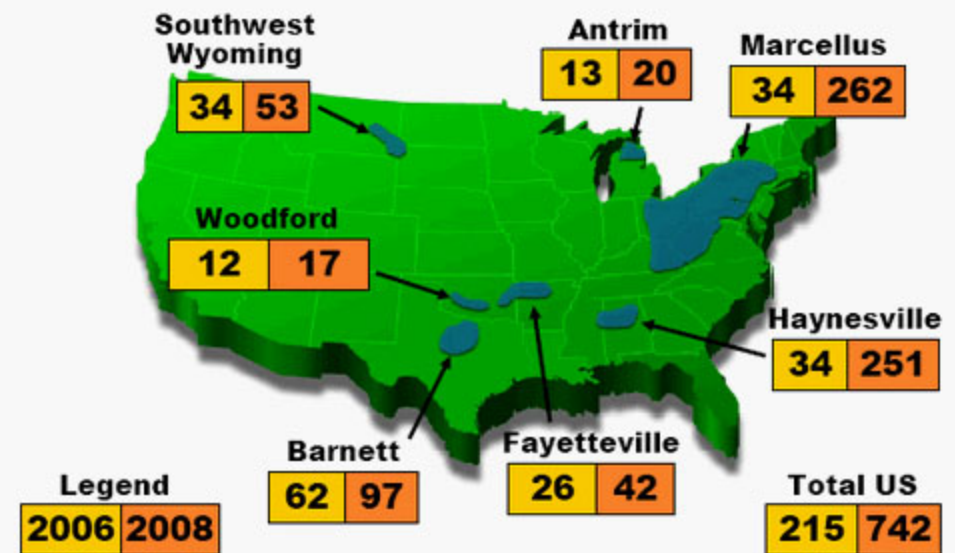
- Nearly every state with significant oil and gas reserves has a severance tax on mineral resources
- Pennsylvania
 - Pennsylvania does not have a severance tax – in the heart of the Marcellus shale
 - Multiple efforts to impose some level of tax or fee on gas production
 - “Impact fee” for natural gas wells has been endorsed by Gov. Corbett
- Arlington, TX model
 - A not-for-profit foundation manages 90% of the city’s shale gas revenues
 - Funds have reached \$70 million to date, and could reach \$225 million in 20 years

Natural Gas Advantages: Supply

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- Plentiful gas in domestic reserves
 - Much more US gas than oil
 - 750 Tcf (per EIA assessment)
- Stability of resource compared with intermittence of other fuels or power choices
 - Foreign oil (disruptions of supply due to fragile politics)
 - Renewables (some reliability concerns with wind and solar due to lack of storage capacity)
- Recent conflict between USGS and EIA

Estimated Recoverable NG For Select Shale Basins (TCF)



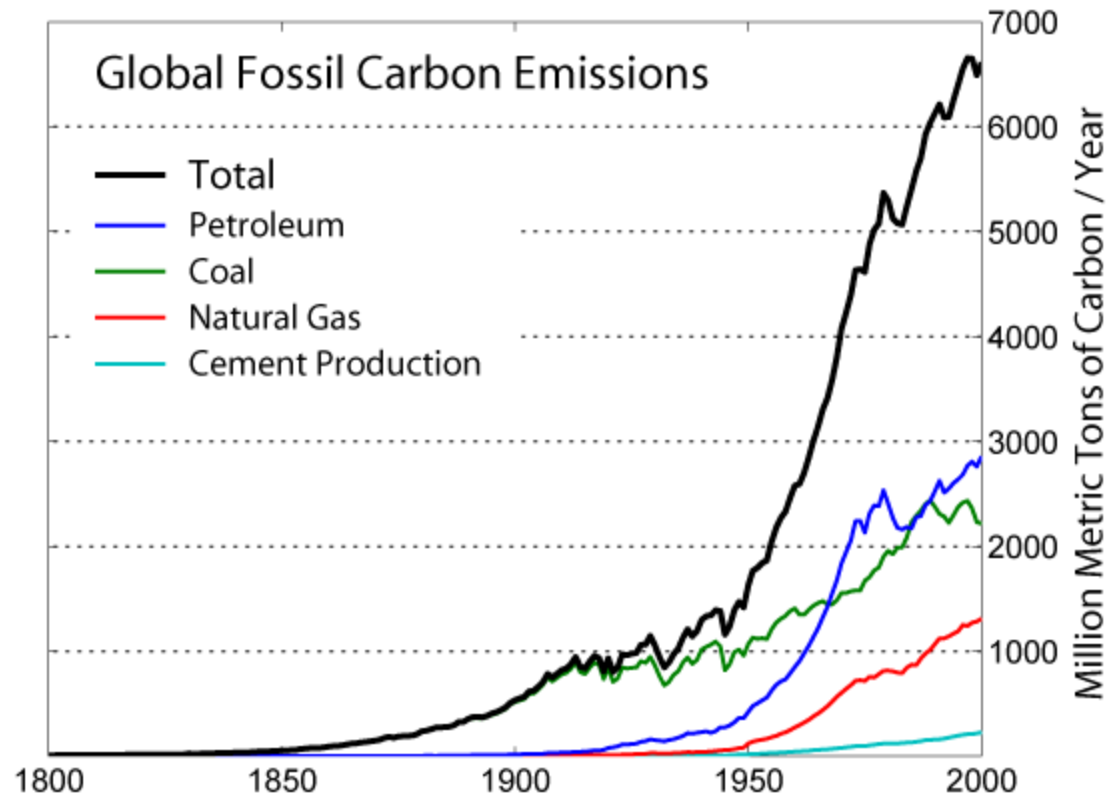
Shale Gas Estimates Keep Rising

Source: Reuters

Natural Gas Advantages: Environmental

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- Much lower GHG emissions compared with coal or oil
- Significantly less risk of environmental incident on scale of Gulf of Mexico spill



Source: SolarNavigator.net

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Additional Advantages for Natural Gas

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- No additional subsidies needed for production, especially compared with renewable energy sources



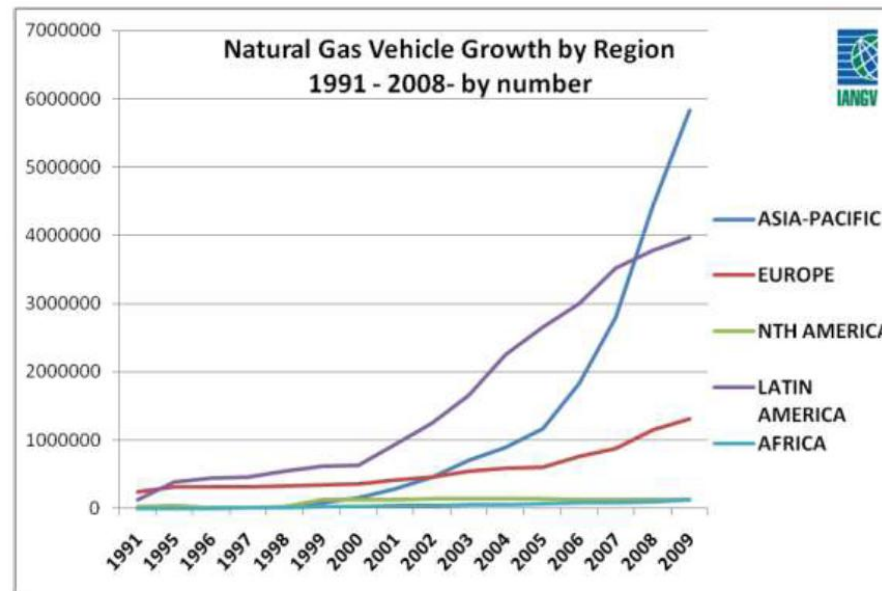
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Natural Gas as Transportation Fuel

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- Natural gas has great potential to be a vehicle fuel in the United States
 - Pickens Plan outlines incentives needed to spur the development of NGV industry
 - Chesapeake has invested \$100M in NGV infrastructure development
 - Other options available to pay for incentives?



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Concluding Remarks

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- Many people are involved in setting natural gas policy priorities in Washington, DC and at the state level
 - Ongoing policy initiatives and legislative efforts could shape the natural gas industry for decades to come
- Much competition to be heard in Washington
 - But ... politicians will listen to “Natural Gas = Jobs” message
 - Many opportunities to engage in the process yourself

Questions?

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